

MEMORANDUM

To: Pennsylvania State Employees' Retirement System ("SERS") Board Members
From: StepStone Group ("StepStone")
Date: July 5th, 2023
Re: Investment in KPS Special Situations Fund VI, L.P. and KPS Mid-Cap Fund II, L.P.

Recommendation

StepStone recommends that the State Employees' Retirement System Investment Committee approve commitments of up to US\$75 million to KPS Special Situations Fund VI, L.P. ("KPS Special Situations VI") and up to US\$25 million to KPS Mid-Cap Fund II, L.P. ("KPS Mid-Cap II") at the July 18th, 2023, PA SERS Investment Committee meeting. This recommendation is made solely within the context of Pennsylvania SERS' investment guidelines and is given solely for the benefit of Pennsylvania SERS.

Key investment highlights supporting the opportunities are as follows:

- Experienced and Cohesive Leadership Team
- Consistent Industry Focus with an Emphasis on Complexity and Value-Oriented
- Strong Track Record Across Market Cycles

Overview

KPS Capital Partners is a private equity firm with offices in New York, Frankfurt, Amsterdam and Chicago.

StepStone Due Diligence

StepStone's due diligence on the Fund was led by Aiyu Yuan Nicholson, Ted Panarese, Juan Mendez and Matthew Gates, supported by StepStone's broader private equity team. The Fund was reviewed and approved by StepStone's Investment Committee considering the context of Pennsylvania SERS' private equity investment objectives. Key diligence items included:

- Consideration of portfolio fit within the Pennsylvania SERS Private Equity – Buyout portfolio, including a review of other available opportunities
- Meetings with the Firm's senior investment professionals
- A review of the Firm's strategy and track record, including a review of drivers of historical returns
- Detailed operational due diligence

Disclaimer

This recommendation is given solely for the benefit of Pennsylvania SERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives and circumstances may not be the same as those of Pennsylvania SERS. The scope of this recommendation is limited to the investment thesis as previously outlined. StepStone does not provide legal or other non-related investment advice.

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